

materially significant changes in pork production practices occur, in which case Hormel Foods may in good faith modify the Floor Price Matrix to reflect such changes.

(b) The "Matrix Price" shall be equal to the price per carcass cwt. determined by converting the price per live cwt. set forth in the Floor Price Matrix to a price per carcass cwt. utilizing the average yield and average Carcass Buying Program percentage of Market Base Price for Hormel Foods' long-term contracted hogs. The average yield and average Carcass Buying Program percentage of Market Base Price for Hormel Foods' long-term contracted hogs to be used in determining the Matrix Price and the Guaranteed Minimum Price shall be calculated by Hormel Foods initially on July 1, 1999 and thereafter on an annual basis on the first Monday in November of each year, starting on November 6, 2000, and at any time the Hormel Foods' Carcass Buying Program is changed, in each case for use until the next such calculation. All such calculations shall be conclusive absent manifest error.

(c) The "Market Base Price" shall be the average price per carcass cwt. of the prior week's (Monday - Friday) daily 10:00 a.m. Hormel Foods' plant delivered hog prices. In the event Hormel Foods discontinues spot purchases of hogs and no longer establishes such a plant delivered hog price, then the Market Base Price shall be equal to a rolling average of hog prices reported by an industry source as determined by Hormel Foods and uniformly utilized in its Long-Term Hog Procurement Program.

(d) The "Guaranteed Minimum Price" shall be equal to the price per carcass cwt. determined by converting the price per live cwt. set forth in the Floor Price Matrix minus Four Dollars (\$4.00) per live cwt. to a price per carcass cwt. utilizing the average yield and average Carcass Buying Program percentage of Market Base Price for Hormel Foods' long-term contracted hogs, except as provided in paragraph 3.(d).

(e) The "Contract Price" to be paid Producer for contracted hogs delivered to Hormel Foods shall be determined by Hormel Foods as follows:

(1) Hormel Foods shall calculate the Matrix Price, the Market Base Price and the Guaranteed Minimum Price each week as set forth above.

(2) The Contract Price shall be equal to the midpoint between the Matrix Price and the Market Base Price; provided, that the Contract Price shall not be less than the Guaranteed Minimum Price, except as provided in paragraph 7.(b).

(3) For hogs delivered to buying stations, the plant delivered Contract Price shall be adjusted by Hormel Foods' station delivered freight discount in effect at the time of delivery.

(f) The Contract Price shall then be used in connection with Hormel Foods' Carcass Buying Program in effect at the time of delivery to determine the final amount to be paid to Producer. Carcass Buying Program premiums and discounts shall be determined on the basis of the Market Base Price. Hormel Foods' Carcass Buying Program is subject to change by Hormel Foods in its discretion from time to time.

(g) Refer to Exhibit A for examples of determining the Contract Price.

(h) The Contract Price, and Carcass Buying Program premiums and discounts, to be paid Producer for contracted hogs delivered to Hormel Foods shall be subject to offset as provided in paragraph 9.

(i) The hogs supplied under this Agreement shall be sold F.O.B. destination and title to hogs and risk of loss of hogs pass from Producer to Hormel Foods as specified in Hormel Foods' Carcass Buying Program.